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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate drops 110 basis points to 96.9% during August

Competitive bidding process saves about 4.5% of buyout costs as of August 31

SEATTLE – SEPTEMBER 19, 2022 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the latest results of its Milliman Pension Buyout Index (MPBI). As the Pension Risk Transfer (PRT) market continues to grow, it has become increasingly important to monitor the annuity market for plan sponsors that are considering transferring retiree pension obligations to an insurer.

During August, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 98.0% of a plan's total liabilities to 96.9% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 96.9% of those plans' retiree accumulated benefit obligation, a new record low for the MPBI. During the same time period, the average annuity purchase cost across all insurers in our index also dipped slightly, from 101.5% to 101.4%. The competitive bidding process saved plan sponsors about 4.5% of PRT costs as of August 31, up from 3.4% at the end of July.

"This continuing decline in the competitive retiree buyout cost—to a new low of less than 97%—comes as IBM transferred \$16 billion in pension liabilities. That's the second-largest buyout in U.S. history," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "Combined, these milestones speak to the high level of activity we have seen throughout 2022 and a continuation of de-risking strategies as interest rates climb."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight insurers, to estimate the competitive and average costs of a PRT annuity de-risking strategy. Individual plan annuity buyouts can vary based on plan size, complexity, and competitive landscape.

To view the complete Milliman Pension Buyout Index, go to <https://www.milliman.com/mpbi>. To receive regular updates with Milliman's pension buyout analysis, contact us at pensionbuyout@milliman.com.

About Milliman

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